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SUBJECT: DEFENSE MINISTER LIKELY TO SURVIVE - FOR NOW

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Classified By: Political Counselor James F. Cole, for reasons 1.4 (b) and (d).

11. (C/NF) SUMMARY: Defense Minister Joel Fitzgibbon appears safe in his portfolio in the short-term, as the media hype surrounding his link with Chinese-born businesswoman, Helen Liu, subsides (reftel). Prime Minister Rudd has publicly backed him, an independent audit of a payroll bungle affecting the Special Air Services Regiment (SAS) has apparently absolved him of responsibility, and the media is not calling for his removal. Those still out for Fitzgibbon's scalp are the Opposition Liberal Party desperate for a political victory, and, according to Fitzgibbon, some disgruntled members of the military and defense bureaucracy who are unhappy with Fitzgibbon's reform agenda. An internal inquiry by the Australian Department of Defence (ADOD) has found no evidence so far of any officially sanctioned investigation targeting Fitzgibbon or his relationship with Liu, and Australia's counter-espionage agency declared that it has no security concerns regarding the Chinese businesswoman. With the release of the Defense White Paper still pending, Fitzgibbon's short-term future is likely secure, assuming no other shoe drops. However, it is difficult to see how a minister with a poisoned relationship with his department, and who has not distinguished himself in Parliament, will survive a cabinet reshuffle, which is likely before the end of the year. END SUMMARY

NO EVIDENCE ADOD SPIED ON FITZGIBBON

12. (U) ADOD's Defence Security Authority's initial assessment, provided March 27, was that contrary to information in the original media story, no element of Defence had investigated Fitzgibbon's relationship with Liu, no Defence investigative authority had been aware of the Chinese-Australian businesswoman, and no part of Defence accessed personal information in Fitzgibbon's office. The same day, the Attorney-General announced that the Australian Security Intelligence Organization (ASIO) had no information relating to Liu which would have given rise to any security concern.

13. (C/NF) Australian Deputy Secretary of Defense for Intelligence and Security, Steve Merchant, told us on March 31 that the Australian Department of Defense (ADoD) has "turned the place upside down" since the press reported unauthorized defense signals directorate (DSD) spying against Fitzgibbon. Mr. Merchant said it was important for the United States to know unequivocally that there was nothing to the allegations, and that DSD had not used any of its capabilities to spy on the Minister (see septel.)

FITZGIBBON BACKED BY POPULAR SYDNEY PAPER - AND RUDD

14. (SBU) The Murdoch-owned tabloid, "The Daily Telegraph", Sydney's largest selling newspaper (and often an accurate

gauge of what Labor's core working-class voters are thinking), strongly backed Fitzgibbon in an editorial, asserting that Fitzgibbon had been betrayed by ADOD as a result of his "tough minded" approach to cleaning up a "massive funding black hole." The Telegraph urged Prime Minister Rudd to "back his minister and put the generals and bureaucrats back in their box." On April 2, the respected foreign editor of The Australian, Greg Sheridan, also came out in Fitzgibbon's defense. After Fitzgibbon disclosed the China trips, Rudd said he "expected better" of his Defence Minister but added that he "is doing a good job." There has been no media push for Fitzgibbon's ouster, and the story, while still appearing in the press, is no longer dominating the political debate, notwithstanding the Opposition's continued calls for Fitzgibbon's head.

FITZGIBBON COULD GO IN NEXT RE-SHUFFLE

15. (C/NF)) COMMENT: Fitzgibbon's determination to clean up Defence, his unwillingness to defer to sacred cows in the Defence establishment, and his public admonishment of his department, have created enemies in ADOD and the military. Fitzgibbon's indiscretions do not seem to warrant dismissal, and Rudd and Deputy Prime Minister Julia Gillard (who is close to Fitzgibbon) continue to show confidence in his performance. Provided there are no further controversies, Rudd is unlikely to fire Fitzgibbon in the short term. Doing so could damage the credibility of the defense white paper, which we are hearing could be delayed until the end of May, and could be interpreted as a win for his detractors. It is more likely that Fitzgibbon will be permitted a more dignified exit in the next ministerial re-shuffle, which could occur at the end of the year as the Government prepares for the 2010 election. A minister cannot be effective if he is constantly at war with his department, and there are several talented alternatives waiting in the wings. We cannot rule out the possibility that PM Rudd will retain Fitzgibbon remaining in the post beyond the next re-shuffle, given the loyalty between the two. After Rudd won the election, he kept Fitzgibbon on in the Defence portfolio, despite the predictions of most experts that the portfolio would go to a more substantial political figure.

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